City & County of San Francisco
London N. Breed, Mayor

Office of the City Administrator
Carmen Chu, City Administrator
Andrico Q. Penick, Director of Real Estate

April 1, 2024

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Lease Agreement – San Francisco Health Service System, 1145 Market Street

Dear Board Members:

Attached for your consideration is a Resolution authorizing and approving a lease agreement of approximately 19,659 square feet at 1145 Market Street for Health System Service.

The San Francisco Health Service System (SFHSS) administers employee benefits for municipal employees and executes all phases of health benefits administration, including medical, dental, vision, flexible spending accounts (FSA), and a wide array of voluntary benefits for the employees, retirees, and covered dependents of the City and County of San Francisco, San Francisco Unified School District, City College of San Francisco, and Superior Court of San Francisco.

As part of this lease SFHSS is relocating some of its operations from the first floor to the second floor since the new location is better suited for its operations. The Landlord has provided a total of $325,000 in Tenant Improvement Allowance to cover move costs, Tenant Improvements, and related costs relocating the Department from the first floor to a portion of the second floor. We have determined that based on bids received, the allowance will be sufficient to cover these expenses.

The proposed lease agreement is for the term of ten years with two options of five years to extend the term, with the current owner, Trinity Center, LLC, at a base rent of $588,787.50 per year ($49,065.59) with 3% annual rent increases throughout the entire agreement. The lease is fully serviced except for electricity, which is separately metered.

We recommend approval of the proposed lease agreement.

If you have any questions regarding this matter, please get in touch with me of our office at 415-554-9860.

Respectfully,

Andrico Q. Penick
Director of Real Estate